

112 STATE STREET  
DRAWER 20  
MONTPELIER, VT 05620-2601  
TEL: 802-828-2811

FAX: 802-828-2342  
TTY (VT): 1-800-734-8390  
e-mail: [vtdps@psd.state.vt.us](mailto:vtdps@psd.state.vt.us)  
Internet: <http://www.state.vt.us/psd>

For Immediate release  
February 24, 2005

For information contact:  
David O'Brien, DPS Commissioner, 802-828-2811



**STATE OF VERMONT  
DEPARTMENT OF PUBLIC SERVICE  
MEDIA RELEASE**

## **VERIZON AGREEMENT PROVIDES FOR SERVICE QUALITY CREDITS AND NETWORK RELIABILITY UPGRADES**

Montpelier, VT – The Department of Public Service and Verizon Vermont last week filed an agreement with the Vermont Public Service Board that will return about \$2 million to customers in the form of bill credits and will require about \$6 million of investment by Verizon to increase network reliability. If approved by the Board, the settlement represents disposition of \$8 million in service quality compensation Verizon must pay as a result of several service quality standards it did not meet in 2003.

"This settlement represents an opportunity for all Vermonters to achieve a lasting gain from an unfortunate situation," said David O'Brien, DPS Commissioner. "Verizon's service quality shortfalls in 2003 resulted in a substantial sum due to Vermont customers under the current Verizon Incentive Regulation Plan. Because this amount was so substantial, we wanted to see some lasting benefit that would improve service reliability in areas where economics made it unlikely the company would make investments on its own. The Department of Public Service staff worked closely with professionals from Verizon to reach this balanced settlement and Verizon should be commended for their efforts in that regard," he continued.

In Verizon's existing network, many communities are not served by redundant or "diverse" paths connecting their local telephone exchange to the network at large. As a result, a single cut in the cable connecting to their exchange can result in the inability to reach the larger network, including emergency services. The agreement between DPS and Verizon, if approved, will mean that more than 30 communities currently lacking diverse connections will be upgraded to allow them to survive a cut in their inter-exchange telephone cable. The agreement also includes a substantial one-time credit to all customers in recognition of the service quality issues customers faced in 2003. Service reliability is critical for our economy and the safety of communities.

In 2003, Verizon missed five of twelve service quality baselines required under its Incentive Regulation Plan. The plan includes a formula for service quality compensation to be paid to consumers. The amount of compensation owed increases with the number of baselines missed and the size of the gap between the baselines and actual performance. The purpose of the service quality standards is to deter Verizon from allowing service quality to deteriorate under an incentive regulation plan that allows the company flexibility in its earnings. Data for the first three quarters of 2004 show that Verizon's performance has improved significantly over the prior year.

-more-

Although the Incentive Regulation Plan called for all service quality compensation to be returned to customers in the form of bill credits, the sizeable amount of 2003 penalties led DPS to seek a means to compensate customers directly with a portion of the dollars and to use a portion of the money for lasting changes that addressed network reliability. The network reliability projects included in the settlement create diverse, survivable facilities in 26 communities that are not currently diverse. The projects will also replace copper with fiber optic cable on six routes in east central Vermont, a necessary step to future network diversity. The final reliability project is the procurement of additional portable back-up generators to improve Verizon's capability to maintain dial-tone during long power failures, such as occurred during the 1998 ice storm.

One-time customer credits of more than six dollars will be issued to all Verizon retail customers in the billing cycle beginning 90 days after Board approval of the agreement.

###